GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3401
ANSWERED ON:04.08.2017
Benefits of GST to Real Estate Buyers
Sawant Shri Arvind Ganpat;Tumane Shri Krupal Balaji

Will the Minister of FINANCE be pleased to state:

(a) whether the cost of under-construction flats, houses and complexes will decrease after implementation of Goods and Services Tax (GST);

(b) if so, the details thereof and if not, the reasons therefor;

(c) whether the builders will have to pass on the benefits of GST to the consumers;

(d) if so, the details thereof and if not, the reasons therefor; and

(e) the action taken against the builders if they do not pass on its benefits to the consumers?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI SANTOSH KUMAR GANGWAR)

(a): Yes, Sir. The cost of construction of flats, houses and complexes is expected to come down on account of seamless flow of input tax credits of goods and services. However, price is a function of demand and supply and many other factors.

(b): Construction of flats, complex, buildings will have a lower incidence of GST as compared to a plethora of central and state indirect taxes suffered by them in pre-GST regime. For instance, construction materials attracted State VAT and entry tax, which were not available as input credits, if the builder opted for composition levy on the flats, etc. Credit of Central excise duty on goods was also not available for paying service tax. All these embedded taxes were borne by the builder and passed on to the customers as part of the price of flats charged from them. These embedded taxes were not visible to the customers as they formed part of the cost of the flats/ houses/ complexes etc.
Under GST regime, construction of flats, complexes etc. attract GST @ 12% with full Input Tax Credits. As against this, in the pre- GST regime, input tax credits did not flow as seamlessly as at present. As a result, the input taxes embedded in the flat/ complexes etc. are not expected to form a part of the cost of the flat/complexes etc.

(c), (d) and (e): The builders are expected to pass on the benefits of lower tax burden under the GST regime to the buyers of the flats, complexes etc. by way of reduction of prices/installments.
Section 171 (1) of the CGST Act, 2017 mandates that reduction in tax rate on any goods or services or the benefit of input tax credit, shall be passed on to the recipient by way of commensurate reduction in prices. This provision shall be enforced in accordance with section 171 (2) and (3) of the CGST Act.

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